

**Notice No.:** 01-002  
**Date:** March 23, 2001  
**Applies to:** Current and Potential PERS 2 Employers  
**Subject:** Introducing PERS Plan 3

## **Background**

With the passage of Engrossed Substitute Senate Bill (ESSB) 6530 by the 2000 legislature and its signature into law by Governor Locke, a new optional retirement plan was added to the Public Employees' Retirement System (PERS). The new plan, PERS Plan 3, has two components. The defined benefit component, funded by employer contributions, will provide members with a guaranteed benefit, similar to what is currently provided in PERS Plan 2. The defined contribution component, funded by member contributions, will allow members to direct the investment of their member contributions, by choosing from several investment options and programs

Current PERS Plan 2 members will be provided the option of transferring to PERS Plan 3. New members hired after the plan effective dates will have the option of joining Plan 2 or Plan 3. The new legislation does not impact PERS Plan 1 members.

## **PERS Plan 3 will be implemented based on employer type**

### **State and higher education employers**

This group is defined as all state agencies, state colleges and universities. The effective date for this group of members is March 1, 2002.

- Current PERS Plan 2 members will have from March 1, 2002, through August 31, 2002, to decide whether to remain in PERS Plan 2 or transfer to PERS Plan 3.
- New members, hired on or after March 1, 2002, will have 90 days to choose between PERS Plan 2 and PERS Plan 3.

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### **Local government employers**

This group is defined as employers, such as but not limited to, cities, counties, fire protection districts, water districts, library districts, health districts, and public utility districts. The effective date for this group of members is September 1, 2002.

- Current PERS Plan 2 members will have from September 1, 2002, through May 31, 2003, to decide whether to remain in PERS Plan 2 or transfer to PERS Plan 3.
- New members, hired on or after September 1, 2002, will have 90 days to choose between PERS Plan 2 and PERS Plan 3.

### **Expected impacts to employers**

In order to implement PERS Plan 3, employers will need to address the following items:

#### **Member address collection**

The Department of Retirement Systems (DRS) intends to mail PERS Plan 3 information directly to members' homes. To do this, DRS will need members' home addresses. DRS has already begun contacting employers to discuss the most efficient way to collect and update these addresses.

Once employers have provided DRS with member addresses, they should update DRS with any address changes. These updates ensure that members receive informational materials without delay.

#### **New reporting requirements**

The employer reporting process will be changed to support the collection of PERS Plan 3 information. DRS will provide specific technical reporting requirements to employers in April, 2001.

#### **Reporting frequency**

Employers with bi-weekly and or semi-monthly payroll cycles should consider reporting retirement information each payday instead of monthly. PERS Plan 3 allows members to choose how their retirement contributions are invested. This shift from a defined benefit environment to a defined contribution environment will mean that members can immediately be impacted by the timeliness and accuracy of the data reported to DRS by the employer. In defined contribution plans, members may interact with their investments on a daily basis. When employer transmittals and payments are received every two weeks, instead of monthly, member contributions are invested earlier and provide the member with additional days of investment opportunity.

#### **Reporting accuracy**

Employers are responsible for accurate and timely reporting of member contributions. If a member of PERS Plan 3 suffers a loss of investment return due to an error made by the employer, **the employer is liable for making up the lost earnings**. DRS will bill the employer the amount and credit the lost earnings to the member's account. Additional detail about this process is available in RCW 41.50.145.

#### **Automated reporting**

DRS' goal is to have all employers using automated reporting methods. Currently, reports can be sent using a spreadsheet template or an ASCII file (see Chapter Eight of the *DRS Employer*

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*Handbook* for more detail.) Another method of reporting will soon be available to allow employers to report retirement information through the Internet.

Changing to an automated reporting method supports the daily environment of Plan 3 and represents less risk for reporting errors and ensuing liability for employers. Beginning this summer, DRS will work with employers that currently submit paper transmittals to transition them to an automated method.

### **Employers assist with workshop coordination**

Workshops will be held to educate members about transfer, plan choice and investment options. Education specialists (contracted with DRS) will contact employers to schedule times and locations for member workshops. DRS expects the scheduling of workshop locations to begin in the fall of 2001. Member workshops are discussed in greater detail under *Member educational opportunities* below.

## **DRS activities to support changes**

### **Employer educational opportunities**

DRS will provide employer educational workshops to ensure employers understand all the impacts of PERS Plan 3. Statewide workshops will also ensure a smooth implementation of the new reporting requirements and provide an opportunity for employers to ask questions. Workshops will begin in late 2001.

### **Member educational opportunities**

DRS will establish a member education program to provide PERS Plan 2 members with information to decide whether to remain in PERS Plan 2 or transfer to PERS Plan 3.

One of the services provided will be transfer decision and investment education workshops. DRS is contracting with a third party company to provide these education services. Transfer decision workshops for current Plan 2 members will be available at the end of 2001. Workshops focusing on PERS Plan 3 investment options are expected to begin in early 2002. The companies that contract with DRS will be working directly with employers to schedule times and locations for these workshops.

During the implementation of Teachers' Retirement System and School Employees' Retirement System Plan 3, DRS found that a number of financial service companies misrepresented themselves as Plan 3 education specialists. At this time, DRS has not contracted with any education specialists. Any financial service providers currently offering these services are not affiliated with DRS, nor are they authorized by DRS to provide this service. DRS will notify members and employers when an agreement is reached with a company to provide these services.

Additional information about education materials will be provided to members and employers in the months to come.

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### **Communication with members and employers**

DRS will distribute PERS Plan 3 publications to both employers and members.

- A PERS Plan 2/Plan 3 transfer newsletter will be provided to all active PERS Plan 2 members. Until addresses for members are collected, member publications will be delivered to employers for distribution in the workplace.
- The *PERS Plan 3 Employer Update* will be provided to all current and potential PERS Plan 2 employers. This update is designed to keep employers informed on PERS Plan 3 issues. This publication will not replace the *DRS Notice*.

DRS expects to mail the first PERS Plan 2/Plan 3 transfer newsletter and first *PERS Plan 3 Employer Update* in April, 2001.

### **Resources**

A plan comparison document is attached to this notice and is intended to provide a summary of the differences between PERS Plan 2 and PERS Plan 3. We recommend employers access additional information regarding PERS Plan 3 on our Web site at <http://www.wa.gov/DRS/>.

DRS Notice 00-012 provides the legislative summary of ESSB 6530 and can be accessed on the DRS Web site at <http://www.wa.gov/DRS/employer/drsn/>.

### **Questions?**

If employers have questions regarding the information in this *DRS Notice*, please contact Employer Support Services at (360) 664-7200 or 1-800-547-6657.

This *DRS Notice* can be accessed on the DRS Web site at <http://www.wa.gov/DRS/employer/drsn/>.

John F. Charles  
Director

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## 2001 DRS Notices

For a copy of a Notice, call (360) 664-7170 or 1-800-547-6657, or  
access the DRS Web site at <http://www.wa.gov/DRS/employer>

Notice No.	Applies to/ Subject Matter
01-001	<b>PERS, LEOFF, WSPRS and JRS Employers</b> Members' Annual Statements and Sequencing Information
01-002	<b>Current and Potential PERS 2 Employers</b> Introducing PERS Plan 3